

Finance



"I enjoy working for the City of Wichita because the City has such a vast spectrum of working environments. Being the Safety Coordinator allows me to work with people every day to prevent injuries and even death. That's a rewarding experience that can't be matched."

- Russ Eckert
Safety Coordinator







The mission of the Finance Department is to provide financial management leadership, oversight, reporting and various internal services for the City organization

RECENT ACCOMPLISHMENTS

- The Finance Department has been consistently recognized by GFOA and other professional organizations as achieving excellence. Awards include:
 - Certificate of Achievement in Financial Reporting for the CAFR (**30 consecutive years**)
 - Distinguished Budget Presentation Award (**15 consecutive years**)
 - Certificate of Achievement in Financial Reporting for the Pension System CAFR (**4 consecutive years**)
 - National Purchasing Institute – Excellence in Procurement (**3 consecutive years**)
 - Public Treasurers Certification of Excellence Investment Policy (**2 years**)
- Finance staff have been instrumental in developing a number of projects that have ultimately been presented to and adopted by the City Council. These include:
 - Water/Walk redevelopment project
 - Cessna Citation Service Center
 - Old Town Square redevelopment
 - Koch/Invista Corporate Headquarters
 - Hyatt Hotel and east bank development
 - Eaton Place and Carey Nation Square
 - Cessna 21st Street Learning & Work Campus
 - Hotel at Old Town (TIF)
 - Old Town Cinema Plaza
- Developed a \$10 million business loan program with the Small Business Association, INTRUST Bank, South Central Kansas Economic Development district and Wichita Technology cooperation.
- Implemented a pension enhancement program for commissioned officers and civilian employees that encouraged long-term employment and established (additional) equity between the various employee groups.

DEPARTMENT OBJECTIVES

1. Maintain revenue and expenditure forecasting accuracy, to facilitate informed decision-making based on accurate forecasts.
2. Maximize the investment return on City idle funds, within the confines of the City's investment policy.
3. Encourage the development of new residential areas through special assessments.
4. Issue Industrial Revenue Bonds pursuant to the City's IRB policy to enhance economic development.
5. Reduce accidents and claims through aggressive training programs.
6. Timely distribution of funds to internal and external customers.

PERFORMANCE MEASURES

Dept. Objective	Program Measure Description	2001 Actual	2002 Actual	2003 Actual	2004 Projected	2005 Projected
1	Revenue Forecasting Accuracy					
1	Adopted	1.56%	-4.30%	-6.80%	+/- 1%	+/- 1%
1	Revised	-0.76%	-3.18%	-1.95%	+/- 1%	+/- 1%
1	Expenditure Forecasting Accuracy					
1	Adopted	-0.59%	2.84%	-6.58%	+/- 1%	+/- 1%
1	Revised	-2.85%	-1.71%	-3.09%	+/- 1%	+/- 1%
1	GFOA Awards	Yes	Yes	Yes	Yes	Yes
2	Return on pooled investments over (under) 90 day t-bill rate	1.81%	1.45%	.8%	.75%	1.0%
3	Special Assessment debt issued	\$15 m	\$15 m	\$42 m	\$16 m	\$16 m
4	IRB's issued	14	9	12	14	14
5	City employees trained	8,604	8,297	7,067	8,500	8,700
6	Number of total payments paid by Automated Clearing House	N/A	46%	52%	55%	58%



OVERVIEW

The Department of Finance provides a variety of support functions to City departments and officials. The Director's Office coordinates all accounting, external auditing, bookkeeping, billing, revenue collection and purchasing activities for the City. In addition, the Director is tasked with supervising the preparation of the annual City budget, investment policies, debt management program, retirement systems, special assessments, risk management and data processing systems.

DIVISION DESCRIPTIONS

The Finance Department is composed of five General Fund financed divisions, and four divisions financed from other funds. The Director's Office advises the City Manager on the budget and related financial matters. Budget staff provides research and administers the operating and capital budgets. The Controller's Office directs the general accounting, auditing and payroll activities of the City. The Purchasing Office acts as the centralized purchasing agent for the City. The City's debt issuance is coordinated through the Debt Management section and Treasury is responsible for all revenue management and investment activities.

The Finance Department also provides centralized micrographics and stationery services through the Stationery Stores Fund. Life, health and worker compensation coverage, risk management functions and the Safety Office are funded from the Self-Insurance Fund. Pension Management oversees the pension funds. Economic development projects are coordinated through the Economic Development Fund.

FINANCE AND OPERATIONS

The Finance Department includes a variety of organizational support functions, many of which are financed from various sources. Stationary Stores and Self Insurance are internal service funds with receipts derived from departmental users. Economic Development activities are funded through a special revenue fund. Pension assets for City employees are held in trust funds and managed by the Pension Boards, supported by the Department of Finance. The 2005 budget includes \$3.5 million from the General Fund, to support 58 full time positions. An additional \$95 million is budgeted for 14 non-General Fund positions, Health Insurance for City employees, and Pension payments to retirees.

Director's Office: This office is responsible for the overall management of the department, as well as the development, preparation and administration of the City's annual budget. The budget includes the transfer of an Intern position from General Government to Finance. The Budget Office also coordinates preparation of the ten-year Capital Improvement Program, in addition to the five-year Financial Plan, which is

prepared for long-term forecasts. Staff advise the City Manager and the Director of Finance regarding financial and management issues, and provide research for City management staff. Assistance is provided to City departments regarding appropriate and necessary budget procedures. Budget Office staff receive assistance on revenue and expenditure planning and statistical research from the Center for Economic Development and Business Research (CEDBR) at Wichita State University. The CEDBR also assists with preparation of the City's Economic Profile.

Controller's Office: Staff in this division provide general accounting services for City departments. Support includes processing vouchers and issuing checks. Controller's Office staff also administers approximately \$6 million of grants annually. The coordination of the annual external audit is performed by the

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Controller's Office, as well as the cost-allocation plan, which allocates overhead and administrative costs among City departments. A significant responsibility is the preparation of quarterly reports outlining the City's financial condition and the Comprehensive Annual Financial Report. Controller staff continually work to ensure that internal controls are in place to guard against waste, inefficiency and financial infidelity.

Purchasing: The centralized purchasing of City goods and services is performed by Purchasing staff, seeking to procure the highest quality products and services for City departments at the lowest possible cost. In 2001, Purchasing implemented an electronic procurement system known as e-procurement (via the Internet) at <http://www.wichita.gov>, which allows vendors to register on-line and to electronically receive and submit bids, receive purchase orders, provide invoices and obtain payments. The e-procurement system has improved staff efficiency, and reduced bid costs to the City by improving information flow. A 'Wichita Supplier Diversity Task Team' has been appointed by the City Council to focus on the City of Wichita's procurement practices as it relates to small and disadvantaged vendors. A report has been submitted to the City Council recommending procedural changes. A review of the recommendations and a plan of action will be completed in 2004.

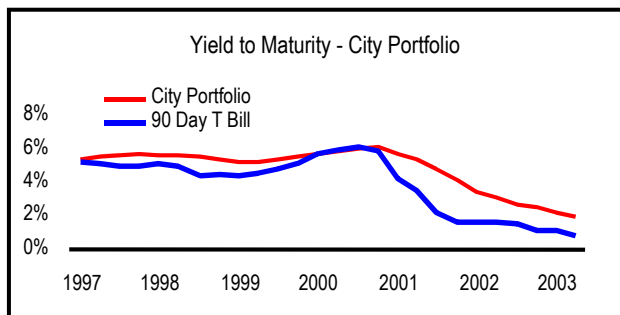
Debt Management: This section coordinates the sale of general obligation bonds and administering special assessments. Staff spread special assessments to benefit districts, certify assessment rolls to the County, and reapportion special assessments to parcels that have been split, re-platted or newly platted. Special assessment tax records are also retained in this section.



Treasury: The investment of the City's pooled investment portfolio, which typically is approximately \$200 million, is performed by Treasury staff. Using the 90-day U.S. Treasury bill as a benchmark, the investment activity of the City has

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been very successful. Projecting cash balances and maintaining adequate cash flow for the City are functions performed by this office. City Hall Express, an office of the Treasury Division, coordinates the collection of City revenues, ranging from water bills to license fees. City Hall Express operates from 7:45 a.m. to 5:15 p.m. daily to facilitate customer payments. In addition, selected payments to the City may be made at cooperating local grocery stores for customer convenience.



Economic Development: Staff in this division coordinates the economic development activities of the City, working to attract new businesses and retain existing businesses by developing and arranging innovative special financing. Financing tools include the issuance of Industrial Revenue Bonds (IRB), the use of tax exemptions, and the use of Tax Increment Financing. Revenues are derived primarily from administrative charges on IRB issuances. In addition, the General Fund augments Economic Development Fund resources.

The budget includes an additional transfer of \$1 million annually to support economic incentives.

The budget includes an additional transfer of \$1 million in 2005 and 2006 to be used for economic development incentives. These funds will be transfers from the General Fund to the Economic Development Fund.

Economic development activities are pursued by partnering with private business and take many forms. One form of partnering is Industrial Revenue Bonds financing, which facilitates job creation and retention while providing qualified businesses with a tax exemption on equipment and facilities financed with the bond proceeds. IRB financing also allows businesses to finance expansion at a lower interest rate than is otherwise available. Currently, over \$3.8 billion is outstanding in IRBs.

Another form of financing utilized to generate economic growth is Tax Increment Financing (TIF). The Economic Development Office oversees the creation of TIF districts to stimulate economic growth by allowing an increase in assessed valuation (and the resulting increase in property taxes) to be directed exclusively towards redevelopment purposes. Tax Increment Financing districts have been utilized to revitalize the 21st and Grove area, to finance improvements to Old Town, Hillside and Central developments, and to encourage the development of the East Bank area. The City's newest TIF will be at Kellogg and Oliver. Each TIF has stimulated long-term economic viability.

In 1999, a \$10 million public/private partnership was initiated with the Small Business Association, INTRUST Bank, South Central Kansas Economic Development district and Wichita Technology cooperation. This program provides loan funds to start or enhance existing small and/or minority businesses, which would not otherwise receive commercial loans. In 2004, the City of Wichita invested \$50,000 to implement a major expansion of the Small Business Association (SBA) Micro Loan program for Wichita businesses. In addition to encouraging and assisting small and disadvantaged businesses, the City invested \$250,000 in a program to provide non-recourse loans with a zero percent interest rate. The program will utilize a revolving loan principle.

Pension: Administers the activities of the City's two distinct pension funds. The Wichita Police and Fire (WPF) fund provides for the retirement of police officers and firefighters, which includes three separate plans: Plan A, Plan B, and Plan C-79. Plans A and B are closed. Under C-79, an employee can retire with 30 years of service regardless of age, or with 20 years of service and 50 years of age.

The City's two pension funds provide retirement benefits to over 2,000 former employees and their dependants. Both plans are fully funded.

Pension Funds Overview		
	WER	P&F
Fund Assets (millions)	\$425.8	\$356.9
Number of pensioners	1,061	836
Annual pension payments (millions)	\$18.6	\$17.6
Plan participants	1,868	1,023

For civilian government workers, the Wichita Employees Retirement (WER) Fund has been established which includes Plan 1, Plan 2 and Plan 3. Plan 1 is closed. Under Plan 2, an employee can retire at age 62, receiving 2.25 percent of their final average salary per year of service. Plan 3 is a defined contribution plan.



Sixteen-member boards administer both pension funds. The WER Board includes the City Manager or designee, the City Manager's appointee, seven members appointed by the City Council, and seven members elected by the plan participants.

The Police & Fire Board includes the City Manager or designee, the Fire Chief, the Police Chief, seven members appointed by the City Council, three members appointed by Fire plan participants, and three members appointed by Police plan participants. The investment activities of the Board are consolidated, with oversight from an eleven member Investment Committee composed of WER and WPF Board members. Pension Management provides staff support for the Boards.

Pension Fund Performance Statistics				
	2000	2001	2002	2003
Fund return	-2.0%	-4.4%	-11.7%	22.8%
WER Funding Ratio	125.9	121.2	117.0	115.4
WP&F Funding Ratio	114.6	111.4	106.2	106.8

Pension funds are invested based on the asset allocation plan adopted by the boards. In the past, the allocation has been 66 percent equities and 34 percent fixed income instruments. An annual return of 7.75 percent is assumed for actuarial purposes.

Self Insurance Fund Expenditures		
	2004	2005
Life Insurance	\$902,570	\$937,570
Health Insurance	25,915,230	30,755,320
Workers Compensation	3,649,030	3,800,340
Risk Management	1,610,120	1,631,430
Safety Office	227,880	233,500
Tort	1,653,900	1,653,900
Total Self Insurance Fund	\$33,958,730	\$39,012,060

Self Insurance. The Department's Risk Manager and support staff are responsible for sound risk control and safety procedures and the financing of these risks consistent with the City's financial resources. Specifically, staff administer the City's Life Insurance, Worker's Compensation, Health Insurance and General Liability Risk Management. In addition, Safety Office staff are included in the Self Insurance Fund.

Life Insurance coverage is available for all full-time City employees. Premiums are financed one-third each by the employee, the City and fund interest earnings. High quality health insurance at affordable rates is also available to employees and retirees. The City currently finances 80 percent of premium costs for active employees, with the remaining 20 percent funded by the employee.

Annually Risk Management personnel investigate and process over 500 worker's compensation claims. The staff also review property and liability loss exposure issues. When appropriate, the defense and settlement of tort claims is funded by the Self Insurance Fund.

Safety Office staff strive to encourage City employees to develop safe work habits. Numerous training sessions are held, covering topics such as defensive driving, blood borne pathogens, electrical safety and ergonomics. More than 650 City employees attend training monthly.

Stationery Stores. To insure the most cost efficient delivery of services, the City has centralized micrographics and office supply procurement. The services are financed through internal service fund charges. Staff in the Department of Finance-Purchasing Office coordinate the services.

Stationery Stores facilitates the procurement and delivery of office supplies thru the coordination with a private supplier. The process was privatized to eliminate inventory costs for the City and provide faster, more efficient delivery of products at the lowest possible cost. Departments order from an assigned catalog, which contains a diverse range of products from paper clips to printer cartridges, most often with next day delivery. Micrographic services are provided by a private vendor, coordinated through Stationery Stores. Outgoing mail from City departments is processed in the mailroom to ensure the lowest possible cost for first and fourth-class mail. A centralized Paragon mail machine is used for bar coding and stamping.

FUTURE CHALLENGES

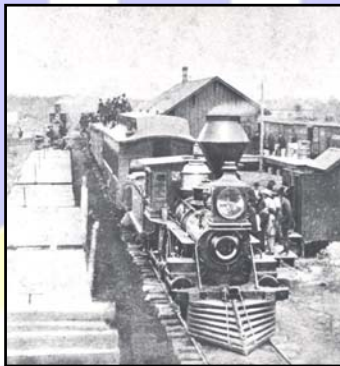
- Assist the City Manager in crafting a balanced operating budget. State budget reductions and the recent economic downturn have created significant challenges to staff in developing a balanced budget.
- Identify resources for pending Economic Development initiatives. The budget includes \$1 million annually for economic development. Supplemental efforts, such as the 21st Street Corridor Study, would require the identification of additional resources.
- Pursue alternatives to minimize health insurance rate increases without compromising employee health coverage. Health insurance increases have been and are projected to be very high. This will eventually create an unsustainable situation.
- Improve first floor logistics for City Hall Express Office. With security remodeling and the desire for improved customer service, improvements to the City Hall Express Office need to be developed.



Finance Department Budget Summary

	2003 Actual	2004 Adopted	2004 Revised	2005 Adopted	2006 Approved
Personal Services	40,673,824	43,252,660	45,207,530	45,789,860	47,861,040
Contractual Services	31,911,671	43,634,210	42,078,330	44,684,360	49,730,140
Commodities	75,841	130,620	723,370	123,890	123,890
Capital Outlay	40,620	20,000	10,000	10,000	10,000
Other	3,328,114	6,401,700	7,697,090	8,457,580	7,297,760
Total Local Expenditures	76,030,070	93,439,190	95,716,320	99,065,690	105,022,830
General Fund	3,222,745	3,572,240	3,621,990	3,789,390	3,877,500
Economic Development	3,624,290	768,810	4,026,520	1,740,690	1,731,260
Stationary Stores	780,663	1,027,170	987,580	1,190,750	992,750
Self Insurance	25,628,516	32,781,780	33,958,730	39,012,060	42,837,620
Pension	42,773,855	55,289,190	53,121,500	53,332,800	55,583,700
Total Local Expenditures	76,030,070	93,439,190	95,716,320	99,065,690	105,022,830
Total full-time positions	71	71	72	72	72
Total part-time positions	2	2	2	2	2
Total FTE positions	72.25	72.25	73.25	73.25	73.25

For additional information on the Finance Department visit www.wichita.gov/



Railroad

From its earliest days, Wichita has been a community that values business and entrepreneurship. One of the earliest and best successes involved a “partnering” of local government and private business for a substantial bond issue that brought rail service to Wichita.

In 1872, a branch of the Santa Fe Railroad arrived in Wichita and the town busted “wide open.” A sign was erected outside the town proclaiming: “Everything goes in Wichita!” Four hundred thousand cattle were shipped in the first year. By 1873, Wichita was the main “cowtown” for the Santa Fe Railroad.

That model of partnering is still a prominent goal and cornerstone of the City’s economic development strategy.